

Internal Revenue Service  
District Director

Atlanta, GA 30301

Department of the Treasury

Date: MAY -6 1994

Person to Contact:

Contact Telephone Number:

Internal Revenue Code  
Section 501(c)(3)  
Employer Identification  
Number:

Dear Applicant:

We have considered your application for recognition of tax exemption as an organization described in section 501(c)(3) of the Internal Revenue Code.

The information that you have submitted indicates that your principle purpose is to operate as a professional networking organization representing business owners, sales consultants, and service professionals in [REDACTED]. You state that each member is responsible for securing business data for written presentations by members for lead information during its weekly meetings. Networking through lead and referral exchange among your membership is your only activity.

Your Bylaws reflect that membership is limited to persons who must depend on referrals to build their business, such as sales and marketing. The organization is supported by membership dues only.

Section 501(c)(3) of the Code provides for exemption from federal income tax for organizations that are organized and operated exclusively for charitable, educational, religious, or scientific purposes, no part of the income of which inures to the benefit of private individuals.

Section 1.501(c)(3)-1(c)(1) of the Income Tax Regulations provides that an organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities that accomplish one or more of the exempt purposes specified in section 501(c)(3) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

In Better Business Bureau v. United States, 326 U.S. 279 (1945), the Supreme Court determined that, while some activities of the organization were educational, a substantial purpose of the organization was to promote business, and thus the organization was not operating exclusively for educational purposes.

The promotion of business or business interests is not an activity that is charitable or educational, nor is it contemplated within any other exempt purpose specified in section 501(c)(3) of the Code. Where the promotion of such interests is substantial in nature, an organization engaged in such activities is not described in section 501(c)(3). See Better Business Bureau, above, and section 1.501(c)(3)-1(c)(1) of the regulations.

Hence, you are not an organization described under section 501(c)(3) of the Code, since you are not organized nor operated exclusively for one or more exempt purposes to section 501(c)(3) of the Code.

Furthermore, Revenue Ruling 59-391, 1959-2 C.B. 151 holds that an organization composed of individuals, firms associations, and corporations where by each representing a different trade, business occupation or profession whose purpose is to exchange information or business prospects, has no common business interest other than a mutual desire to increase their individual sales. The activities are not directed toward the improvement of one or more lines of business, but rather to the promotion of the private interest of its members, thereby precluded from exemption under section 501(c)(6) of the Code. As such, your organization's activities are similar to those described in Revenue Ruling 59-391, 1959-2 C.B. 151, as cited above. Consequently, you also do not qualify as an organization described in section 501(c)(6) of the Code.

Accordingly, you do not qualify for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986 or under any related paragraph of the Internal Revenue Code. Contributions to you are not deductible under section 170 of the Code. You must file Federal income tax returns.

If you do not agree with our proposed denial, we recommend that you request a conference with a member of the Regional Director of Appeals Staff. Your request for a conference should include a written appeal signed by an authorized officer giving the facts, law and any other pertinent information to support your position as explained in the enclosed Publication 892. If you are to be represented by someone who is not one of your authorized officers, he/she will need to file a power of attorney or tax information authorization and be qualified to practice before the Internal Revenue Service as provided in Treasury Department Circular No. 230. The conference may be held at the Regional Office or, if you request, at any mutually convenient District office.

If you do not ~~pro~~test this ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides, in part, that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

If we do not hear from you within 30 days, this ruling will become our final determination on this matter. Also, appropriate State officials will be notified of this action in accordance with section 6104(c) of the Code.

Because this letter could help resolve any question about your exempt status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours

  
  
District Director

Enclosure:  
Pub. 892

